

Message Text

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ACTION AGRE-00

INFO OCT-01 ARA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
SS-15 STR-04 CEA-01 L-03 /078 W
-----281105Z 084679 /23

R 271410Z MAY 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC 1868
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

CONFIDENTIAL BRASILIA 4307

E.O. 11652: GDS
TAGS: EAGR, XX
SUBJ: U.S. CONCERN OVER REPEATED CHANGES IN BRAZILIAN SOYBEAN
EXPORT POLICY

REF: STATE 120865

1. DURING CALL ON AMBASSADOR CABRAL DE MELLO (CHIEF,
FOREIGN MINISTRY'S ECONOMIC DEPARTMENT), MAY 26, ECON/
COMMERCIAL COUNSELOR PRESENTED NON-PAPER SETTING FORTH
POINTS REFTEL. AGRICULTURAL ATTACHE WILL MAKE SIMILAR
PRESENTATION TO MINISTER OF AGRICULTURE PAULINELLI'S
FOREIGN AFFAIRS ADVISOR. FINANCIAL ATTACHE WILL BE
PASSING COPY OF NON-PAPER TO MINISTRY OF FINANCE.

2. IN ELABORATING ON NON-PAPER COUNSELOR SAID PRESEN-
TATION REFLECTED CONSIDERABLE CONCERN AT A HIGH LEVEL IN
USG REGARDING THE EFFECT OF RECENT BRAZILIAN ACTIONS ON
THE WORLD SOYBEAN MARKET, BUT THAT US COMMENTS WERE
OFFERED IN A SPIRIT OF COOPERATION AND CONSULTATION.
THE INTERESTS AND ACTIONS OF THE TWO DOMINANT
SUPPLIERS INEVITABLY WERE INTERDEPENDENT. THIS WAS
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PRECISELY THE KIND OF SITUATION USG HAD IN MIND WHEN IT
PROPOSED ESTABLISHMENT OF A TECHNICAL CONSULTATIVE SUB-
GROUP FOR SOYBEANS, TO WHICH WE HAD SO FAR RECEIVED NO
REPLY.

3. BY PRIOR AGREEMENT WITH AGRICULTURAL ATTACHE,
COUNSELOR COMMENTED THAT, POSSIBLY IN PART AS A

RESULT OF RECENT ACTIONS, BRAZILIAN PRODUCERS WERE HOLDING SUPPLIES OFF THE MARKET, HOPING FOR HIGHER PRICES -- A PATTERN ALSO FOLLOWED IN CERTAIN PRIOR YEARS. EMBASSY UNDERSTOOD THAT BOTH US AND BRAZILIAN SPECIALISTS GENERALLY EXPECTED A VERY LARGE US CROP, BASED ON ACREAGE PLANTED AND EXCELLENT WEATHER CONDITIONS TO DATE. THE FUTURES MARKET CLEARLY SHARED THIS EXPECTATION OF A LARGE US CROP AND REFLECTS THE EXPECTATION OF SIGNIFICANT REDUCTION IN PRICE LATER IN THE YEAR. WHILE ITS EXPORT STRATEGY WAS EVIDENTLY A MATTER FOR BRAZIL TO DECIDE, US AND BRAZIL IN OUR VIEW SHARED A COMMON INTEREST IN AVOIDING DISRUPTION OR UNCERTAINTIES OF THE MARKET.

4. CABRAL DE MELLO STUDIED THE LIST OF GOB ACTIONS WITH CONSIDERABLE CARE, THEN ASKED FACETIOUSLY WHY THE US DID NOT WISH TO ADOPT A REAL EXPORT POLICY BY INSTITUTING A CONTRIBUTION TAX. COUNSELOR, ALSO FACETIOUS, REPLIED THAT THIS DID NOT SEEM POSSIBLE SINCE BRAZIL'S CONTRIBUTION TAX (ON COFFEE), ACCORDING TO CALAZANS' REASONING, WAS ONLY FOLLOWING, NOT LEADING, THE MARKET. COUNSELOR REITERATED REQUEST FOR GOB'S COMMENTS INCLUDING A REACTION TO US OFFER OF CONSULTATIONS.

5. TONE OF THE MEETING WAS FRIENDLY THROUGHOUT.
CRIMMINS

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